Buddy Garcia, *Chairman*Larry R. Soward, *Commissioner*Bryan W. Shaw, Ph.D., *Commissioner*Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 13, 2009

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Texas Commission on Environmental Quality Office of the Chief Clerk, MC-105

P.O. Box 13087

LaDonna Castañuela Office of the Chief Clerk

Austin, Texas 78711-3087

Re: Executive Director's Exceptions to the ALJs' PFD and Order; Consolidated SOAH Docket Nos.582-08-0861; TCEQ Docket No. 2007-1820-AIR; 2008-1210-

AIR; Air Permit Nos. 79188, PSD-TX-1072, and HAP-14.

Dear Ms. Castañuela:

Enclosed please find a copy of the Executive Director's Exceptions to the ALJs' PFD and Order for the above-referenced matter.

If you have any questions, please call me at 239-4113.

Sincerely.

Booker Harrison Senior Attorney

Environmental Law Division

Enclosures

FRIKS OFFICE

Buddy Garcia, *Chairman*Larry R. Soward, *Commissioner*Bryan W. Shaw, Ph.D., *Commissioner*Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 13, 2009

The Honorable Tommy Broyles
The Honorable Craig Bennett
Administrative Law Judges
State Office of Administrative Hearings
300 W. 15th St., Suite 502
Austin, Texas 78701

ecision and Order;

Re: Executive Director's Exceptions to the ALJ's Proposal for Decision and Order; Consolidated SOAH Docket Nos. 582-08-0861; TCEQ Docket Nos. 2007-1820-AIR and 2008-1210-AIR; Air Permit Nos. 79188, PSD-TX-1072, and HAP-14.

Dear Judge Broyles and Judge Bennett:

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If you have any questions, please call me at 239-4113.

Sincerely,

Booker Harrison Senior Attorney

Environmental Law Division

Enclosures

CONSOLIDATED SOAH DOCKET NO. 582-08-0861 TCEQ DOCKET NO. 2007-1820-AIR TCEQ DOCKET NO. 2008-1210-AIR

APPLICATION OF	§	BEFORE THE STATE OFFICE
NRG TEXAS POWER, LLC, FOR	8	
STATE AIR QUALITY PERMIT	8	
79188 AND PREVENTION OF	8	o
SIGNIFICANT DETERIORATION	8	OF \\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\
AIR QUALITY PERMIT PSD-TX-	8	
1072 AND HAZARDOUS AIR	. §	Œ ∵ ĕã§#
POLLUTANT MAJOR SOURCE	8	
[FCAA 112 § (g)] PERMIT HAP-14	8	ADMINISTRATIVE HEARINGS → TENO
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EXECUTIVE DIRECTOR'S EXCEPTIONS TO THE ADMINISTRATIVE LAW JUDGES' PROPOSAL FOR DECISION AND ORDER

TO HONORABLE ADMINISTRATIVE LAW JUDGES TOMMY BROYLES AND CRAIG BENNETT:

COMES NOW the Executive Director (ED) of the Texas Commission on Environmental Quality (TCEQ or Commission) and files the Executive Director's Exceptions to the Administrative Law Judges' Proposal for Decision and Order, and in support thereof shows the following:

I. INTRODUCTION/BACKGROUND

On June 12, 2006, NRG Texas Power LLC (NRG), submitted a new source review application to the Texas Commission on Environmental Quality (TCEQ) for a State Air Quality Permit No. 79188 and Prevention of Significant Deterioration (PSD) Air Quality Permit No. PSD-TX-1072 which would authorize construction and operation of Limestone Unit 3 at NRG's existing Limestone plant located near Jewett, Texas. A preliminary hearing on the new source review application was held on January 24, 2008. In Order No. 9, issued on April 11, 2008, the

¹ NRG Exhibit No. 6.

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ALJs abated the procedural schedule to allow NRG to file a case-by-case MACT determination

as a result of the Clean Air Mercury Rule and source listing vacatur.² NRG submitted its

Application for Hazardous Air Pollutant Major Source Permit HAP-14 on May 12, 2008. A

subsequent preliminary hearing was held on September 15, 2008, and by Order No. 16 dated

October 14, 2008, the matters were consolidated under SOAH Docket No. 582-08-0861.

TCEQ staff from the Air Permits Division, Air Dispersion Modeling Team, and

Toxicology Section reviewed the documentation submitted by NRG in the consolidated

application. Upon completing the review, the Executive Director issued the Notice of

Application and Preliminary Decision, which includes the Preliminary Determination Summary

and draft permit. In issuing the draft permit, the ED concluded that: NRG's proposed controls

constitute best available control technology (BACT) for criteria pollutants and maximum

achievable control technology (MACT) for hazardous air pollutants; and the modeling analysis

demonstrates that the proposed project will not violate the National Ambient Air Quality

Standards (NAAQS) or have any adverse impacts on the public health, soils or the environment.

Therefore, the Executive Director recommends issuance of the air permit to NRG.

II. Applicant's No Net Increase Commitment.

In Section IV.A. of the PFD, the ALJs discuss the Applicant's no net increase proposal,

which the applicant contended was a complete netting demonstration to "net out" of PSD review

for NO_x and SO₂. As Mr. Linville testified in his deposition, the ED considered NRG's proposal

² New Jersey, et al v. U.S. EPA, 574 F3d. 574 (D.C. Cir. 2008).

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a no net increase commitment rather than a PSD demonstration.³ Additionally, the commitment was included as a special condition in the draft permit and will be enforceable.⁴

III. BACT for PM₁₀

In Section IV.3.B.c, the ALJs discuss the Applicant's proposed BACT for PM_{10} of 0.015 lb/MMBtu for the filterable portion and 0.035 lb/MMBtu for the total PM_{10} . NRG conceded that given the MACT review, BACT for the filterable PM_{10} will be 0.012 lb/MMBTu, which the ALJs concurred was BACT. The ALJs concluded, however, that BACT for the total PM_{10} is actually 0.025 lb/MMBtu.

The permit reviewer for the TCEQ, Mr. Jim Linville, testified, and evidence admitted through his testimony demonstrated, that he reviewed NRG's application and concluded that the limits therein, specifically for PM₁₀, constituted BACT.⁵ The evidence shows that this emission limit is consistent with BACT determinations from other recently permitted PC boilers.⁶ The evidence also reflects a wide variation in PM limits for PC boilers.⁷ The application specifically identified a number of the BACT determinations reviewed by Mr. Linville, along with the variability in those reviews and determinations.⁸ This evidence of variability in emission limits and testing methodology is relevant and supports the conclusion that the higher number of 0.035 lb/MMBtu is acceptable as BACT.

³ Sierra Club Ex. 40, p. 57-58.

⁴ 30 Tex. Admin. Code § 116.116(a)(2); Tex. Health & Safety Code § 382.085(b).

⁵ ED-1, p. 10; ED-8, p. 4; ED-9, p. 3.

⁶ ED-8, p. 4; ED-9, p. 3.

⁷ Id

⁸ NRG Ex . Table 4-4, page 4-7; see also Tr. 1207-1208 (testimony of witness Campbell on the variability and bias in testing results and that it is recognized by EPA).

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The record reflects that BACT reviews are conducted on a case-by-case basis and are

more detailed than merely identifying a lower emission limit.⁹ The Tier I evaluation of BACT

should include evaluation of all recently permitted facilities and possibly the review of new

technical developments. One of the factors to consider is the choice of coal, and as the

application indicates the facilities considered in the BACT review that had limits below 0.035

lb/MMBtu are utilizing low-sulfur coal resulting in generally lower condensable PM limits. 11

Furthermore, TCEQ guidance requires the review of demonstrated emissions limits at

operational facilities.¹² As the evidence reflects, only one facility with a lower limit as BACT is

operational and has demonstrated compliance with that limit. Therefore, the evidence in the

record substantiates the ED's review and concurrence that 0.035 lb/MMBtu constitutes BACT

for PM.

BACT for NO_x. IV.

In section IV.B.3.e., the ALJs review BACT for NO_X. The ALJs concluded that the

annual limit of 0.05 lb/MMBtu represents BACT; however, the ALJs recommended the short-

term BACT limit be adjusted from 0.07 to 0.06 lb/MMBtu. A Tier I BACT analysis requires

comparison with other like facilities.¹⁴ Mr. Linville reviewed the information regarding NO_X

⁹ ED-1, pp. 9-10; ED-3, p. 2.

¹⁰ ED-3, p. 3.

¹¹ NRG Ex. 6, p 4-8.

¹² ED-3, p. 3-4.

¹³ Tr. 1207-1208.

¹⁴ ED-3, p. 3.

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and concluded that BACT is the use of low-NO_X burners and SCR to achieve 0.07 lb/MMBtu. 15

Mr. Linville determined that this limit was consistent with BACT determinations from other

recently permitted PC boilers and appropriately represented BACT for LMS3.16 Therefore, the

evidence in the record substantiates the ED's review and concurrence that 0.07 lb/MMBtu

constitutes BACT for NO_X.

V. BACT for CO.

In section IV.B.3.f, the ALJs review BACT for CO. The ALJs recommended the BACT

limit be adjusted from 0.15 to 0.12 lb/MMBtu. A Tier I BACT analysis requires comparison

with other like facilities.¹⁷ Mr. Linville reviewed the information regarding CO and concluded

that BACT is the use of good combustion practices to minimize the products of incomplete

combustion to achieve 0.15 lb/MMBtu. 18 Mr. Linville determined that this limit was consistent

with BACT determinations from other recently permitted PC boilers and appropriately

represented BACT for LMS3.¹⁹ Additionally, Mr. Linville concluded that "projects with a lower

CO limit have higher NOX short term limits which reflects the balancing needed between NOX

and CO in low-NOX burners."20 Therefore, the evidence in the record substantiates the ED's

review and concurrence that 0.15 lb/MMBtu constitutes BACT for CO.

¹⁵ ED-8, p. 4; ED-9, p. 3.

¹⁶ Id.

¹⁷ ED-3, p. 3.

¹⁸ ED-1, p. 10; ED-8, p. 4; ED-9, p. 3.

¹⁹ ED-8, p. 4; ED-9, p. 3.

²⁰ ED-8, p. 4.

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VI. 24-Hour PM₁₀ PSD Increment Analysis.

In section IV.C.3., the ALJs review the 24-hour PM PSD Increment analysis. A witness

for the Sierra Club, Ms. Camille Sears, testified that NRG's modeling failed to account for

impacts from Limestone Units 1 and 2. Using NRG's modeling data, Ms. Sears conducted

modeling for Units 1 and 2 and concluded that emissions from the existing facilities exceeded

the PSD increment. While the ALJs found no technical or regulatory reasons why Ms. Sears'

modeling would be predictive of a violation or preclude the permit from being issued, the ALJs

nevertheless, recommended that the Commission "instruct the ED to take appropriate steps to

substantiate the violation and to correct it through the SIP, if necessary." (PFD, p. 69). However,

as discussed below, the applicant made its demonstration and there is no action left for the ED to

undertake.

An Increment demonstration is a purely modeling demonstration.²¹ Each demonstration is

triggered by a permitting action and each action is analyzed separately.²² In its Air Quality

Analysis, NRG followed long established guidance and procedures described by EPA and the

TCEO.²³ Using conservative modeling input data (total allowable emission rates were used

versus the difference in actual emissions between baseline date and today), NRG made the

demonstration that the operation of Limestone Unit 3 would not cause or contribute to a

²¹ Tr. 1039.

²² Id.

²³ ED-14, pp. 7-12; ED-16.

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predicted increment violation.²⁴ Had NRG's AQA shown a predicted Increment violation, NRG

would be given the opportunity to refine the modeling input data to a lesser level of conservatism

until they made their demonstration.²⁵ Until that demonstration is made, NRG would not be

issued a draft permit and not allowed to go public notice.

Though the ALJ has expressed concerns that the record reflects a potential PSD

Increment violation, it should be noted that the analysis conducted by Ms. Sears was

fundamentally flawed. In her testimony, Ms. Sears' concluded that emissions from existing

Limestone 1 and 2 units resulted in an increment violation. In reaching that conclusion, she

stated that she identified three groups of sources for input into the model (Limestone 1 and 2 unit

sources; other PSD-increment consuming sources; and the proposed emissions from the

Limestone 3 unit), and then ran the model for only the Limestone 1 and 2 unit sources.²⁶

However, this procedure is inconsistent with both TCEO and EPA guidance that provide the first

step in the modeling analysis is to determine whether the proposed source(s) would have a

significant impact on air quality, i.e., violate a NAAQS or PSD increment.²⁷ If the emissions do

not make a significant impact or exceed an applicable increment, the analysis is complete.²⁸ As

noted above, NRG made its demonstration that there was no increment violation based on the

²⁴ ED-14, p. 7-9; ED-17, p.4.

²⁵ ED-14, p. 8; ED-16, p. 9.

²⁶ Sierra Club Ex. 3, p. 11. In fact, Ms. Sears testified that she was not familiar with the input data created by NRG or the underlying emissions calculations. Tr. 779.

²⁷ ED-16, p. 24, 29; NRG Ex. 32, p. C.24; Tr. 341.

²⁸ ED-16, 24, 29.

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evaluation of the emissions from Limestone Unit 3. Therefore, the second part of the EPA

guidance that the ED undertake some action is not applicable.²⁹

VII. MACT Analysis.

In section IV.E.3.d., the ALJs concluded that NRG had not specified the control

technology for controlling mercury emissions, and therefore, the MACT demonstration for

mercury does not satisfy the MACT rules. However, the review conducted by the ED supports

the conclusion that the applicant complied with the MACT rules and issuance of the draft permit

was appropriate.

The evidence introduced through Mr. Linville's testimony clearly reflects that NRG

identified the following suite of controls for HAPs at the Limestone 3 facility: a selective

catalytic reduction system, a wet flue gas desulfurization system, state-of-the art mercury

controls, and a fabric filter.³⁰ With respect to mercury emissions, the evidence reflects that the

MACT emission limit was based on activated carbon injection in conjunction with state-of-the-

art control equipment for reducing emissions of NO_X, SO₂, and particulate matter.³¹ In the PDS,

Mr. Linville states: "(t)his is the most effective of all identified mercury emission control

strategies, irrespective of cost, and is consistent with the planned air pollution control

²⁹ Further, there is no mechanism in policy or guidance for the ED to require, or an outside party to refine the input data until a demonstration is made that the new or modified facilities would not cause an increment violation. The ED does not believe it appropriate or warranted address each and every potential predicted violation presented by parties other than the applicant, particularly when the applicant has already made the demonstration that no such

violation is predicted to occur using established guidance and procedures and conservative input data.

³⁰ ED-12, p. 4.

³¹ ED-12, p. 6.

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technologies for the LMS3 PC boiler." Furthermore, it is clear from the evidence that in

reviewing MACT, Mr. Linville was reviewing control technologies holistically, i.e., BACT and

MACT together. Specifically, Mr. Linville stated:

Had a case-by-case MACT analysis been an applicable requirement when the

2006 state/PSD application was submitted, the emission limits proposed as BACT

to the TCEO for mercury and other hazardous air pollutants (emission limits that

are now stipulated in the draft State/PSD permit for the PC Boiler) would have

satisfied that requirement.³³

Therefore, the record supports the ED's review of the identified control technology for mercury.

Furthermore, the record reflects that TCEO does not require applicants to provide final

specifications of control or other equipment at the time the permit is issued. Referred to as "As-

Built Information," the draft permits for both the state/PSD and HAP applications include a

special condition requiring the permit holder to submit to the TCEQ information reflective of the

final plans and engineering specifications of the PC Boiler and auxiliary boiler, including the

necessary control equipment.³⁴ Additionally, the permits also include a special condition

requiring an initial demonstration of compliance to "establish that the actual quantities of air

contaminants being emitted into the atmosphere."³⁵ Therefore, in reviewing permit applications

the TCEQ requires the applicant to represent BACT and/or MACT, which is an emission limit,

³² *Id*.

³³ ED-11, p. 3.

³⁴ ED-10, SC No. 41; ED-13, SC No. 21.

³⁵ ED-10, SC No. 25; ED-13, SC No. 10.

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and to identify the control mechanisms the permit holder will use to achieve that emission limit.

Final design and installation specifications, such as vendor guarantees, are not required for

issuance of the permit; however, compliance will be confirmed.³⁶

NRG has met the requirements of 40 C.F.R. § 63.43(e)(1) which requires the

identification of specific control technology as noted above. Regarding 40 C.F.R. § 63.43(e)(2),

much of the information identified may only be a requirement if it is requested by the permitting

authority. The technical information required by 40 C.F.R. § 63.43(e)(2)(xi) is prescriptive in

determining whether or not such an emissions limitation can be achieved. To this extent, after

reviewing the PSD and MACT application, TCEQ permitting staff determined that the suite of

controls proposed by NRG would in fact "...meet the MACT emissions limitation determined

according to the principles set fort in paragraph 63.43(d)."³⁷ Finally, 40 C.F.R. § 63.43(e)(2)(xii)

requires the identification of alternative technologies as necessary to meet the emission

limitations. In this case, NRG could not find any alternative technology that would meet the low

emissions limitation that they are proposing for MACT. Therefore, the record substantiates the

review conducted by the ED in the case-by-case MACT analysis.

VIII. Exceptions To The Findings Of Fact And Conclusions Of Law

A. Findings of Fact

1. The ED excepts to Findings of Fact No. 32 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "The

Case-by-Case MACT Application contains all of the required elements of an

³⁶ Tr. 956-957.

³⁷ 40 C.F.R. § 63.43(e)(1).

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FCAA section 112(g) preconstruction permit application filed under Chapter 116 of TCEQ's rules."

- 2. The ED excepts to Findings of Fact No. 37 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG has not proposed the precise method of achieving the netting from Limestone Units 1 or 2 (or other existing facilities causing emissions at the site) before Limestone Unit 3 begins operating."
- 3. The ED excepts to Findings of Fact No. 38 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "Special Condition 42 establishes and enforceable, measurable, and creditable reduction in emissions of NO_x and SO₂ regardless of netting."
- 4. The ED excepts to Findings of Fact No. 40 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG's proposed netting demonstration was not used to determine PSD applicability and a PSD review for criteria pollutants NO_x and SO₂ in the State Air Quality/PSD Application was conducted."
- 5. The ED excepts to Findings of Fact No. 248 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "Utilization of good combustion practices with an emission rate of 0.15 lb/MMBtu on a 30-day rolling average basis is BACT for CO emissions from Limestone Unit 3."
- 6. The ED excepts to Findings of Fact No. 249 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "Application of low-NO_x burners, overfire air, and SCR specified to meet NO_x emission limits of 0.07 lb/MMBtu over a rolling 30-day average and 0.05 lb/MMBtu over a rolling annual average is BACT for NO_x emissions from the main boiler."
- 7. The ED excepts to Findings of Fact No. 251 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "Application of fabric filter baghouses with a filterable PM/PM₁₀ emission rate of 0.012 lb/MMBtu and a total PM/PM₁₀ emission rate of 0.035 lb/MMBtu over a rolling annual average is BACT for PM and PM₁₀ emission form the main boiler."

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- 8. The ED excepts to Findings of Fact No. 278 and respectfully requests that the finding include NO₂ and SO₂ after "CO, PM..."
- 9. The ED excepts to Findings of Fact No. 286 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG prepared an FCAA 112(g) Case-by-Case MACT Application and applied for a HAP Major Source Permit to establish case-by-case MACT requirements for both the Limestone Unit 3 Project main boiler and auxiliary boiler."
- 10. The ED excepts to Findings of Fact No. 287 and respectfully requests that the finding be deleted.
- 11. The ED excepts to Findings of Fact No. 291 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG's Case-by-Case MACT Application did specify a suite of control technology selected by NRG including a combination of the fabric filter baghouse, wet FGD, and SCR and mercury-specific control technology, such as halogen or sorbent addition, to control mercury emission that, if property operated and maintained, will meet the proposed MACT emissions limitation."
- 12. The ED excepts to Findings of Fact No. 293 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG's Case-by-Case MACT Application noted that NRG could not identify alternative control technologies, other than those listed in the application to meet the proposed emissions limitation."
- 13. The ED excepts to Findings of Fact No. 294 and respectfully requests that the finding be deleted and replaced by a Finding of Fact which states "NRG has identified a suite of specific control technology it intends to use to control mercury emissions at Limestone Unit 3."

B. Conclusions of Law

1. The ED excepts to Conclusion of Law No. 43 and respectfully requests that the finding be deleted and replaced by a Conclusion of Law which states "NRG's Case-by-Case MACT Application analysis and conclusions regarding mercury control technology include all necessary determinations to comply

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with the overall requirements and objectives 40 C.F.R. § 63.43(d) and other

applicable law."

C. Order by the Texas Commission on Environmental Quality

1. The ED excepts to the Ordering Provision No. 3 and respectfully requests that

the finding be deleted and replaced by an Order Provision which states "The application of NRG Texas for a federal Clean Air Act section 112(g) case-by-case maximum achievable control technology (MACT) determination satisfies

the Case-by-Case MACT requirements."

2. The ED excepts to the Ordering Provision No. 1b. (Special Condition No. 43)

and respectfully requests that the finding be deleted since the origins for

including this requirement are unclear.

IX. Conclusion.

In reviewing the applications subject to this hearing, the ED conducted an independent

review of whether the applications met all the applicable rules and regulations, including BACT

and MACT. In completing this review, the ED recommended issuance of the draft permit.

Based upon a review of the record in this contested case hearing the evidence clearly

substantiates the ED's review of the applications and recommendation to issue the draft permit.

The ED respectfully requests that the Commission: grant the exceptions to the proposed order;

issue the State Air Quality Permit Number 79188 and PSD permit PSD-TX-1072; find that the

MACT demonstration is appropriate and complete; and issue the HAP-14 permit.

Respectfully Submitted,

Texas Commission on Environmental Quality

Executive Director's Exceptions to the ALJs' PFD and Order Cons. SOAH Docket No. 582-08-0861 TCEQ Docket No. 2007-1820-AIR TCEQ Docket No. 2008-1210-AIR Page 14 of 15

Mark R. Vickery, P.G., Executive Director

Stephanie Bergeron Perdue; Deputy Director Office of Legal Services

Robert Martinez, Division Director Environmental Law Division

Booker Harrison, Senior Attorney SBOT No. 00793910 Christine Angeletti, Staff Attorney SBOT No. 24059383 Environmental Law Division State Bar No. 24043385 P. O. Box 13087, MC 173 Austin, Texas 78711-3087

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Executive Director's Exceptions to the ALJs' PFD and Order Cons. SOAH Docket No. 582-08-0861 TCEQ Docket No. 2007-1820-AIR TCEQ Docket No. 2008-1210-AIR Page 15 of 15

CERTIFICATE OF SERVICE

On this _____ day of July, 2009, a true and correct copy of the foregoing instrument (TCEQ Executive Director's Exceptions to the Administrative Law Judges' Proposal for Decision and Order) was served on all persons on the attached mailing list by the undersigned via deposit into the U.S. Mail, inter-agency mail, facsimile, electronic mail, or hand delivery.

Booker Harrison

2009 JUL 13 PN 4: 41

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

MAILING LIST NRG TEXAS POWER L.L.C. SOAH DOCKET NO. 582-08-0861

FOR NRG TEXAS POWER LLC

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OUR LIVES (RCOLOL)

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